



Audit Committee Newsletter

Third Quarter 2006

Focus Area Highlights

Since our last Audit Committee meeting, DON has made significant progress in the Fund Balance with Treasury (FBWT) and Environmental Liabilities focus areas. DON has updated the FBWT plan to more accurately reflect the level of effort required to address deficiencies that lead to unmatched and unsupported undistributed disbursements and collections. For Environmental Liabilities—specifically, the disposal of nuclear and conventional ships, NAVSEA has reengineered their process for establishing an environmental liability by incorporating a more detailed estimation model.

FIAR Update

DON provided updates to the FIAR Directorate for inclusion in the 31 March 2006 version of the FIAR Plan. As reported in our last newsletter, the OUSD(C) FIAR Directorate has proposed not to formally submit the March iteration of the FIAR plan to Congress since the original plan was submitted in January. The Directorate has established a schedule for submitting revised versions of the FIAR Plan to Congress each March and September.

Also, the FIAR Directorate has proposed expansion of the FIAR focus areas. Proposed focus areas include Inventory and OM&S, Accounts Receivable, Accounts Payable, and Military Pay Obligations.

Cash Initiative Presented at Conference

On 16 March 2006, representatives from all NWCF Commands and DFAS Cleveland convened at the Washington Navy Yard for the first ASN(FM&C) NWCF Cash Conference. A key topic of the conference was the NWCF cash management initiative, part of the broader business practices initiative outlined in the DON Financial Management Strategic Plan, *Transforming Today to Win Tomorrow*. Over the last eight months, the team mapped NWCF cash “as is” business processes, including DFAS and the FBWT; identified current “best practices”; proposed “to be” standardized business practices; and recommended improvements to the NWCF cash balance and forecasting. The next phase includes implementing the “to be” business processes and procedures and refining the NWCF cash-forecasting tool, which will be piloted at the NAVSEA Warfare Centers during the FY2008 budget review.

OUSD(C) Releases Guidance on Internal Controls Testing

On 14 March 2006, OUSD(C) released guidance on developing test plans and sample sizes pursuant to OMB Circular A-123. OMB A-123 requires the use of

documented test plans for evaluating key internal controls over financial reporting. DON is currently developing a strategy pursuant to OUSD(C) guidance and will submit results to OUSD(C) on 1 May 2006.

Catch a Wave at PDI 2006

The Services and their commercial partners will be traveling to San Diego this year to attend the Professional Development Institute (PDI) program, “Waves of Change” on 30 May – 2 June. The ASN(FM&C) and many members of the DON Financial Management (FM) Community will be leading workshops on a variety of topics throughout the week, including 31 May, which has been designated as “Service Day.” Below is a partial list of PDI workshops led by DON FM representatives.

- *Human Capital – Foundation of FM Strategic Vision*, ASN(FM&C)
- *The Department of the Navy Financial Improvement Program – Lessons Learned for All Services*, Director, FMO
- *Audit Maze Lab Rat: Next up...Marine Corps!* HQMC
- *FEI and BPI: Overview of the FM Performance Metrics*, FMB-3
- *Internal Controls – the Key to Improved Financial Information; Overview and Case Study of Hurricane Katrina*, FMO
- *NWCF Cash Management*, FMB-4
- *Navy ERP Implementation and Planning: An FM Perspective*, FMO

For more information on PDI 2006, visit

<http://www.asmconline.org/>.

In The News ...

OUSD(C) has updated several volumes of the DoD Financial Management Regulation (FMR), including Volume 6B, *Form and Content of the Department of Defense Audited Financial Statements*. To view all published changes, visit the DoD FMR website at <http://www.dod.mil/comptroller/fmr/>.